UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re	:	Chapter 11
SHORELINE ENERGY LLC, *et al.*,[1]	:	Case No. 16-35571 (DRJ)
	:	(Joint Administration Requested)
Debtors.	:	

DEBTORS' MOTION FOR AN ORDER (I) AUTHORIZING THE PAYMENT OF (A) PREPETITION CLAIMS OF POTENTIAL LIEN CLAIMANTS, (B) JOINT-INTEREST BILLINGS, (C) GPT EXPENSES AND (D) SHIPPING AND WAREHOUSEING CLAIMS AND (II) GRANTING CERTAIN RELATED RELIEF

THIS MOTION SEEKS ENTRY OF AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 21 DAYS OF THE DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE MOTION AT THE HEARING.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEY

The above-captioned debtors and debtors in possession (collectively, the "Debtors") move the Court for an order (the "Proposed Order") pursuant to sections 105(a), 362, 363 and 541 of the Bankruptcy Code: (i) authorizing them to pay prepetition claims on account of (a) working interest obligations that could give rise to lien claims, (b) joint-interest

[1] The Debtors are the following eight entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Shoreline Energy LLC (2777); Shoreline Southeast LLC (0562); Shoreline Offshore LLC (2882); Harvest Development LLC (2703); Shoreline GP LLC (5184); Shoreline Central Corporation (1579); Shoreline Energy Partners LP (5035); Shoreline EH LLC (6570). The address of each of the Debtors is 16801 Greenspoint Park Drive #380, Houston, Texas 77060.

billings, (c) marketing obligations, and (d) shipping and warehousing claims and (ii) granting certain related relief. In support of this motion, the Debtors incorporate the statements contained in the Declaration of Daniel P. Hurley in Support of First Day Pleadings (the "First Day Declaration") filed contemporaneously herewith and further respectfully represent as follows:

Background

1. On the date hereof (the "Petition Date"), each of the Debtors commenced a case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code.[2] The Debtors are continuing in possession of their properties and are managing their businesses, as debtors in possession, pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. Founded in 2006, the Debtors are a privately held, independent oil and gas company headquartered in Houston, Texas. The Debtors are engaged in the exploration, development, production and acquisition of oil and natural gas properties located along the southern coast of Louisiana and onshore Texas and Louisiana. As of the Petition Date, the Debtors owned interests in 403 oil, gas and related wells, and the Debtors had estimated proved reserves of approximately 26.7 million barrels of oil equivalents (MMBoe), comprised of 109 billion cubic feet (Bcf) of natural gas and 8.5 MMBo of oil and condensate.

3. Additional information regarding the Debtors and these cases, including the Debtors' businesses, structure, financial condition, and the reasons for and objectives of these cases, is set forth in the First Day Declaration, filed contemporaneously herewith and incorporated herein by reference.

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[2] This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue for this matter is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

Working Interest Obligations

4. As described in the Debtors' Motion for an Order (I) Authorizing the Debtors to Pay Royalties, Withholding Taxes, Severance Taxes and Delay Rentals and (II) Granting Related Relief, filed contemporaneously herewith, the Debtors hold working interests in various oil and gas leases, which entitle them to the exclusive right to extract the hydrocarbons in the ground, but require that they bear the cost of exploration, development and operation of the property. In certain instances, the Debtors are joint-interest holders with other working interest holders on a particular oil and gas lease. In such cases, a joint operating agreement governs the relationship among joint-interest holders and provides the terms under which revenues and costs will be split. The joint operating agreement typically designates a particular working interest owner as the "operator," who is responsible for the operation and control of the well and initially covers expenses that are later reimbursed by other working interest owners pursuant to the terms of the joint operating agreement.

5. The Debtors serve as the operator of a majority of the wells that they have an interest in. Accordingly, in the ordinary course of business, the Debtors pay significant expenses related to the day-to-day costs of the exploration, drilling and production of oil and gas from properties they operate.[3] A significant portion of these expenses are payments to third parties (the "Mineral Lien Claimants")[4] that perform labor or furnish or transport materials, equipment or supplies in the "oil patch" — i.e. in connection with drilling, producing, repairing, operating or maintaining the Debtors' oil and gas wells. The Mineral Lien Claimants could

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[3] A certain portion of these operating costs may be reimbursable by other working interest owners. Even so, an operator is responsible for paying such expenses when due irrespective of the timing of any reimbursement payments.

[4] By this motion the Debtors do not concede that any such claimants hold valid liens (contractual, common law, statutory or otherwise) and reserve the right to contest the extent, validity and perfection of any and all such liens and to seek avoidance thereof.

potentially assert statutory and contractual liens against the Debtors' property (or even property of other third parties with working interests under operating agreements) to secure payment for prepetition goods and services provided to the Debtors. Given the nature of the Debtors' business, nearly all of their vendors are Mineral Lien Claimants, and in certain circumstances, the liens of Mineral Lien Claimants may be senior to the liens of other secured creditors.

6. The Mineral Lien Claimants provide services that are essential to the Debtors' daily operations. Further, the work being performed by the Mineral Lien Claimants is, in many instances, technical and requires specialized expertise that only a limited number of service providers may have. Absent payment, the Debtors may have no alternative service providers, or no service providers that will be able to perform the required services in a reasonable time period.

7. The Debtors estimate that the outstanding prepetition amount owed to the Mineral Lien Claimants is approximately $14,000,000 as of the Petition Date.

Non-Operating Working Interest Obligations

8. Although the Debtors operate the majority of wells in which they own a working interest, there are certain instances in which the Debtors hold non-operating working interests in wells under various joint operating agreements. In such instances, the Debtors receive payment representing their share of production revenues. The Debtors receive revenue receipts from the operators and directly from the purchasers and then reimburse the operators for their share of the production costs through payment of joint-interest billings ("JIBs"). Rights to payment of JIBs are often secured under contractual lien rights or statutory lien rights in favor of

the operator against the Debtors' interest in the well.[5] The Debtors estimate that the outstanding prepetition amount owed on account of JIBs is approximately $3,100,000 as of the Petition Date.

Payment of GPT Expenses

9. The Debtors are also obligated under various agreements to market oil and gas production to potential purchasers. In connection with such marketing obligations, the Debtors are responsible for, among other things, the costs associated with gathering, transporting, processing, and other services related to the storage and sale of hydrocarbons produced on the Debtors' leases (the "GPT Expenses"). In some circumstances, the Debtors pay the GPT Expenses from funds otherwise belonging to working interest owners, and the Debtors' failure to forward all required amounts could have a material adverse effect upon the Debtors, including, without limitation, penalties and interest, turnover actions, conversion and constructive trust claims, assertion of significant secured claims against property of the estate, litigation, and, in some instances, removal as operator. As of the Petition Date, the Debtors estimate that they owe approximately $10,000 in GPT Expenses that are paid directly by the Debtors.

10. In other circumstances, the Debtors have entered into netting agreements (the "Netting Arrangements") where purchasers of the Debtors' oil and gas (the "Counterparties") deduct the GPT Expenses on the Debtors' behalf.[6] Once the Counterparties or other third parties sell marketed production subject to the Netting Arrangements, the Counterparties net the GPT

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5 See, e.g., La. Rev. Stat. Ann. § 9:4882 ("The operator has a privilege over the property described in [La. Rev. Stat. Ann. §] 9:4883 to secure payment of all obligations in the conduct of operations which the non-operator is personally bound to pay or reimburse."). Operators furnishing services, labor or materials for the operation of a well may also fall within the purview of, and seek recourse under, the traditional mineral contract lien statues discussed below.

6 In limited circumstances, Counterparties may also remit certain of the Debtors' severance tax obligations, which are also netted against payments to the Debtors.

Expenses before remitting the balance of the sale proceeds to the Debtors. The GPT Expenses are fully secured by the Counterparties' set off rights under the Netting Arrangements, but the Debtors are concerned that some Counterparties may choose to withhold payments under the Netting Arrangements in an attempt to preserve their setoff or recoupment rights following commencement of the Debtors' bankruptcy cases. In order to avoid any disruption in the payment from their production, the Debtors seek to clarify that the Counterparties may continue to perform under the Netting Arrangements in the ordinary course of business. The Debtors estimate that the Counterparties net approximately $10,000 per month under the Netting Arrangements, and approximately $10,000 is outstanding under the Netting Arrangements as of the Petition Date.

Shipping and Warehousing Claims

11. In their role as operator, the Debtors also occasionally utilize the services of certain vendors to transport or deliver goods, materials or other property used in the daily operation of their business (the "Shippers"). Such materials are frequently integral to the exploration and production of oil and gas and could include drilling pipe, casing and wellheads. Accordingly, the Shippers often have possession of materials belonging to the Debtors that are vital to their business operations. Additionally, the Debtors rely on vendors in the ordinary course of their business to store materials when not in use (the "Warehousemen"). As of the Petition Date, the Debtors estimate that less than $10,000 in prepetition claims of Shippers and Warehousemen are outstanding.

Conditions on Payment of Lien Claims

12. In an effort to ensure that payment (each, a "Lien Claimant Payment") of any portion of the prepetition claims (collectively, the "Potential Lien Claims") of Mineral Lien Claimants, Shippers, Warehousemen and operators on account of JIBs (collectively, the

"Potential Lien Claimants") provides the Debtors with a benefit to their estates, the Debtors may require the recipient of a Lien Claimant Payment to execute an agreement (a "Trade Agreement") whereby a Potential Lien Claimant agrees to: (a) the continuance of the parties' existing business relationship; (b) other business terms on a postpetition basis, including the pricing of goods and services, the provision of equivalent levels of service and the timing of payment, on terms at least as favorable as those extended in the normal course prior to the Petition Date, or on such other terms that are acceptable to the Debtors; and (c) the release to the Debtors of goods or other assets owned by the Debtors in the Potential Lien Claimant's possession, if any (collectively, the "Trade Terms"). The Trade Terms would be applicable throughout the pendency of the Debtors' chapter 11 cases.

13. If a Potential Lien Claimant that has executed a Trade Agreement accepts a Lien Claimant Payment and fails to provide the Debtors with the requisite Trade Terms specified therein, then (a) any Lien Claimant Payment received by the Potential Lien Claimant may be deemed by the Debtors an unauthorized postpetition transfer under section 549 of the Bankruptcy Code that the Debtors may, at the Debtors' option, (i) seek to recover from the Potential Lien Claimant in cash or (ii) apply against any outstanding administrative claim held by such Potential Lien Claimant; and (b) upon recovery of any Lien Claimant Payment, the corresponding prepetition claim of the Potential Lien Claimant will be reinstated in the amount recovered by the Debtors.

Basis for Relief Requested

14. Payment of the Potential Lien Claims and the prepetition GPT Expenses is warranted, as applicable, under sections 105(a), 362, 363 and 541 of the Bankruptcy Code and case law in this district and elsewhere.

15. Section 363(b)(1) of the Bankruptcy Code provides: "The trustee, after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). Section 105(a) of the Bankruptcy Code provides:

> The court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title. No provision of this title providing for the raising of an issue by a party in interest shall be construed to preclude the court from, sua sponte, taking any action or making any determination necessary or appropriate to enforce or implement court orders or rules, or to prevent the abuse of process.

11 U.S.C. § 105(a). Section 105(a) of the Bankruptcy Code grants bankruptcy courts broad authority and discretion to enforce the provisions of the Bankruptcy Code under equitable common law principles.

16. Courts in the Fifth Circuit have recognized that it is appropriate to authorize the payment of prepetition obligations when such payment is essential to the continued operations of the debtor and to protect and preserve its estate. See In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002) (authorizing payment of certain prepetition claims pursuant to the "doctrine of necessity"); In re Equalnet Commc'ns Corp., 258 B.R. 368, 369–70 (Bankr. S.D. Tex. 2000) (business transactions critical to the survival of the business of the debtor are exceptions to the general rule of nonpayment of prepetition claims prior to plan confirmation); see also In re Ionosphere Clubs, Inc., 98 B.R. 174, 176 (Bankr. S.D.N.Y. 1989) (stating that courts have repeatedly recognized "the existence of the judicial power to authorize a debtor in a reorganization case to pay prepetition claims where such payment is essential to the continued operations of the debtor"; In re Columbia Gas Sys., Inc., 171 B.R. 189, 191-92 (Bankr. D. Del. 1994) (finding that a debtor is entitled to pay certain prepetition creditors upon a showing that the payment is "essential to the continued operation of the business") (citations omitted). The United States Supreme Court first articulated the equitable common law principle

commonly referred to as the "doctrine of necessity" over 125 years ago in Miltenberger v. Logansport, C. & S.W.R. Co., 106 U.S. 286 (1882). "The necessity of payment doctrine recognizes that paying certain prepetition claims may be necessary to realize the goal of chapter 11 — a successful reorganization." In re Just for Feet, Inc., 242 B.R. 821, 825-26 (D. Del. 1999).

17. Under the "doctrine of necessity," a bankruptcy court may exercise its equitable power to authorize a debtor to pay critical prepetition claims, even though such payment is not explicitly authorized under the Bankruptcy Code. See In re Columbia Gas Sys., Inc., 136 B.R. at 939 (citing In re Lehigh & New England Ry. Co., 657 F.2d 570, 581 (3d Cir. 1981) (recognizing that "if payment of a prepetition claim 'is essential to the continued operation of [the debtor], payment may be authorized'").

18. The bankruptcy court's exercise of its authority under the "doctrine of necessity" is appropriate to carry out specific statutory provisions of chapter 11, specifically sections 1107(a), 1108 and 363(b)(1) of the Bankruptcy Code, which collectively authorize a debtor in possession to maintain and operate the debtor's business and use estate property outside of the ordinary course of business. Indeed, a debtor in possession operating a business under section 1108 of the Bankruptcy Code has a duty to protect and preserve the value of its business, and prepetition claims may be paid if necessary to perform the debtor's duty. See In re CoServ, LLC, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002) ("There are occasions when this duty can only be fulfilled by the preplan satisfaction of a prepetition claim."). This motion satisfies the foregoing criteria, as the relief sought herein is essential to the Debtors' reorganization, and payment of the Potential Lien Claims and GPT Expenses is warranted as a reasonable exercise of the Debtors' business judgment.

19. First, it is essential that the Debtors be permitted to pay the Potential Lien Claims and GPT Expenses to ensure that their operations continue uninterrupted. As explained above, a failure to pay the GPT Expenses could have a material adverse effect upon the Debtors, including, without limitation, penalties and interest, turnover actions, conversion and constructive trust claims, assertion of significant secured claims against property of the estate, litigation, and, in some instances, removal as operator. In addition, the Mineral Lien Claimants provide essential goods and services to the Debtors that, in some cases, are specialized and may be difficult to obtain from an alternative provider on an efficient basis. Absent payment, the Debtors may have no alternative service providers, or no service providers that will be able to perform the required services in a reasonable time period. Additionally, if the Debtors fail to timely pay the Shippers and Warehousemen, the Debtors anticipate that certain of the Shippers and Warehousemen may simply refuse to turn over goods in their possession or discontinue performance. Any disruption in the timely delivery of or the Debtors' access to materials essential to their day-to-day operations would harm the Debtors' business and value to the detriment of the Debtors and their creditors. In a similar way, the Debtors' failure to timely make JIB payments is likely to result in the operator asserting lien rights in the Debtors' interests or netting or setting off payments to the Debtors in the applicable leases or production therefrom. Accordingly, the failure to timely pay the Potential Lien Claimants could threaten the Debtors' operations and ability to successfully reorganize.

20. In addition, the Potential Lien Claims may be entitled to secured or priority status. With respect to Mineral Lien Claimants, applicable law in jurisdictions in which the Debtors operate provides mineral contractors with statutory or other liens to secure payment for their services, which may prime existing secured creditors subject to satisfaction of special

requirements. For instance, Louisiana law provides a lien for "obligations incurred in operations," including to contractors and laborers who provide labor at a well site and parties involved in trucking, towing, barging or other transportation services. See La. Rev. Stat. Ann. § 9:4862 (granting liens to secure "obligations incurred in operations"). Texas has a similar statute. See Tex. Prop. Code Ann. § 56.002. Such liens can attach not only to wells, the production and proceeds therefrom and associated fixtures and equipment, but also to the Debtors' working interest (which is a real property interest). See In re Energy Contractors, Inc., 49 B.R. 139, 139-40 (Bankr. M.D. La. 1985) (stating that lien applies "to the oil and gas produced from the well, to the proceeds of the well . . . to the mineral lease, and to the drilling equipment"). Indeed, in Louisiana state courts have held that the state's lien law is "stricti juris," see, e.g., Guichard Drilling Co. v. Alpine Energy Serv., Inc., 657 So. 2d 1307 (La. 1995); P&A Well Serv. Inc. v. Blackie's Power Swivels, Inc., 507 So. 2d 280 (La. Ct. App. 1987), meaning the lien can attach to any of the proceeds, property interests or other property described in the state's lien statute, including property owned by third party non-operating working interest owners. See Sargent v. Freeman, 16 So. 2d 737 (La. 1943) (finding that lien asserted on property owned by persons other than the operator was valid and did not violate due process); Ogden Oil Co., Inc. v. Venture Oil Corp., 490 So. 2d 725 (La. Ct. App. 1986) (holding that a lienholder could exercise its rights against any property covered by the lien regardless of ownership).

21. Pursuant to section 362(b)(3) of the Bankruptcy Code, the act of perfecting statutory liens, to the extent consistent with section 546(b) of the Bankruptcy Code, is expressly excluded from the automatic stay. See 11 U.S.C. § 362(a)(3) (the act of perfecting such a lien, to the extent consistent with section 546(b) of the Bankruptcy Code, is expressly excluded from the automatic stay); 11 U.S.C. § 546(b) (a debtor's lien avoidance powers "are

subject to any generally applicable law that . . . permits perfection of an interest in property to be effective against an entity that acquires rights in such property before the date of perfection . . . ."). The assertion of statutory liens by the Mineral Lien Claimants on the Debtors' working interests or production and proceeds therefrom could be detrimental to both the Debtors and their creditors. Moreover, to the extent that the nonpayment of amounts due to Mineral Lien Claimants would result in a secured claim, the payment of such claims merely affects the timing of payment and, as a result, would not prejudice unsecured creditors.[7]

22. Additionally, to the extent a Mineral Lien Claimant provides the Debtors with goods, such claimant may be entitled to assert an administrative expense claim under section 503(b)(9) of the Bankruptcy Code. Section 503(b)(9) of the Bankruptcy Code provides that claims for "the value of any goods received by the debtor within 20 days before the date of commencement of a case . . . in which the goods have been sold to the debtor in the ordinary course of such debtor's business" shall be "allowed, administrative expenses." 11 U.S.C. § 503(b)(9). Thus, to the extent any Mineral Lien Claimant would not be entitled to secured status, such claimant may nevertheless be entitled to assert all or a portion of the claim as an administrative expense. Administrative expense claims must be paid in full for the Debtors to confirm a chapter 11 plan. See 11 U.S.C. § 1129(a)(9)(A). As a result, the payment of such claims now merely provides such parties with what they would be entitled to receive under a

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7 Further, the Mineral Lien Claimants may allege that they are fully secured, or even oversecured, creditors holding senior liens. In general, pursuant to section 506 of the Bankruptcy Code, fully secured creditors are entitled to receive (a) payment in full of their prepetition claims and (b) the postpetition interest accruing on such claims up to the value of the collateral. Consequently, to the extent the Mineral Lien Claimants are correct with respect to their assertions, payment of their claims now will (a) in most cases give the Mineral Lien Claimants no more than they otherwise would be entitled to receive on account of their claims in the chapter 11 process and (b) save the Debtors the potential cost of interest that otherwise may accrue.

chapter 11 plan and accelerates the timing of payment but not the ultimate treatment of such claims.

23. The Shippers and Warehousemen may also be entitled under applicable law to assert certain possessory liens on the Debtors' property that they hold or control.[8] Because the perfection and maintenance of the liens held by Shippers and Warehousemen in most cases is dependent upon possession, it is possible that certain Shippers and Warehousemen will, as described above, refuse to deliver or release such goods before their claims have been satisfied and their liens extinguished, which could result in disruption to the Debtors' operations. Furthermore, paying the Shippers and Warehousemen, as with the Mineral Lien Claimants, should not impair unsecured creditor recoveries and will merely change the timing of payment.

24. Accordingly, to, among other things, facilitate a successful restructuring, the Debtors respectfully request authority to pay, subject to the Potential Lien Claimants' execution of Trade Agreements at the Debtors' request as described above, the prepetition claims of Potential Lien Claimants and GPT Expenses and to continue to pay the Potential Lien Claimants and GPT Expenses in the ordinary course of business. At the current juncture, the Debtors are not seeking authority to pay all Potential Lien Claimants and GPT Expenses; instead, the Debtors are only seeking to pay such claimants in accordance with the limitations set forth in the Proposed Order.

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[8] See U.C.C. § 7-307(1) ("[A] carrier has a lien on the goods covered by a bill of lading or on the proceeds thereof in its possession for charges after the date of the carrier's receipt of the goods for storage or transportation, including demurrage and terminal charges, and for expenses necessary for preservation of the goods incident to their transportation or reasonably incurred in their sale pursuant to law."); U.C.C. § 7-209(a) ("a warehouse has a lien against the bailor on the goods covered by a warehouse receipt or storage agreement or on the proceeds thereof in its possession for charges for storage or transportation including demurrage and terminal charges, insurance, labor, or other charges, present or future, in relation to the goods, and for expenses necessary for preservation of the goods or reasonably incurred in their sale pursuant to law"). Texas and Louisiana have enacted substantially similar statutes. See La. Rev. Stat. Ann. § 10:7-307(a) (2010); La. Rev. Stat. Ann. § 10:7-209(a) (2010); Tex. Bus. & Com. Code Ann. § 7.307(a) (West 2005); Tex. Bus. & Com. Code Ann. § 7.209(a) (West 2005).

25. Courts in this district have frequently authorized similar relief. See, e.g. In re Linn Energy, LLC, No. 16-60040 (DRJ) (Bankr. S.D. Tex. June 27, 2016); In re Midstates Petrol. Co., Inc., No. 16-32237 (DRJ) (Bankr. S.D. Tex. May 2, 2016); In re Sherwin Alumina Co., LLC, No. 16-20012 (DRJ) (Bankr. S.D. Tex. Jan. 13, 2016); In re Magnum Hunter Res's Corp., No. 15-12533 (KG) (Bankr. D. Del. Jan. 11, 2016); In re Energy & Exploration Partners, Inc., No. 15-44931 (RFN) (Bankr. N.D. Tex. Dec. 23, 2015); In re Sabine Oil & Gas Corp., No. 15-11835 (SCC) (Bankr. S.D.N.Y. Aug. 17, 2015).

Request for Authority for Banks to Honor and Pay Checks Issued and Funds Transfers with Respect to Potential Lien Claims and GPT Expenses

26. In addition, by this motion, the Debtors request that all applicable banks and other financial institutions (collectively, the "Banks") be authorized, when requested by the Debtors, to receive, process, honor and pay any and all checks presented for payment of, and to honor all funds transfer requests made by the Debtors related to, Potential Lien Claims and GPT Expenses, whether such checks were presented or funds transfer requests were submitted prior to or after the Petition Date, provided that sufficient funds are available in the applicable accounts to make the payments. The Debtors represent that these checks are drawn on identifiable disbursement accounts and can be readily identified as relating directly to the authorized payment of Potential Lien Claims and GPT Expenses. Accordingly, the Debtors believe that checks other than those relating to authorized payments will not be honored inadvertently.

27. Nothing contained herein is intended or shall be construed as: (a) an admission as to the validity of any claim against the Debtors; (b) a waiver of the Debtors' rights to dispute any claim on any grounds; (c) a promise to pay any claim; or (d) an implication or admission that any particular claim against the Debtors is a Potential Lien Claim or GPT Expense.

Requests for Immediate Relief & Waiver of Stay

28. In accordance with Bankruptcy Local Rule 9013-1(i), and pursuant to Rules 6003(b) and 6004(h) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Debtors seek (a) immediate entry of an order granting the Debtors the authority to pay the Potential Lien Claims and GPT Expenses and (b) a waiver of any stay of the effectiveness of such an order. Bankruptcy Rule 6003(b) provides, in relevant part, that "[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition, grant relief regarding . . . a motion to pay all or part of a claim that arose before the filing of the petition." Accordingly, where the failure to grant any such requested relief would result in immediate and irreparable harm to the Debtors' estates, the Court may authorize the Debtors to pay all or part of a claim that arose before the Petition Date prior to the twenty-first day following the Petition Date. Bankruptcy Rule 6004(h) provides that "[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise."

29. As set forth above and in the First Day Declaration, the payment of the Potential Lien Claims and GPT Expenses is necessary to prevent the immediate and irreparable damage to the Debtors' operations, going-concern value and ability to reorganize. Accordingly, the Debtors submit that ample cause exists to justify (a) the immediate entry of an order granting the relief sought herein and (b) a waiver of the fourteen-day stay imposed by Bankruptcy Rule 6004(h), to the extent that it applies.

No Prior Request

30. No prior request for the relief sought herein has been made to this Court or any other court.

Notice

31. Notice of this motion will be provided by delivery to: (a) the Office of the United States Trustee for the Southern District of Texas; (b) the Debtors' largest unsecured creditors on a consolidated basis, as identified in their chapter 11 petitions; (c) Simpson Thacher & Bartlett, counsel to Morgan Stanley Energy Capital Inc. in its capacity as administrative agent under the proposed postpetition credit agreement and as administrative agent under the Debtors' prepetition secured credit facility; (d) Vinson & Elkins LLP as counsel to HPS Investment Partners, LLC, as a restructuring support party under the Restructuring Support Agreement; (e) the lenders under the Debtors' prepetition second lien credit agreement; (f) Whitney Bank; and (g) any party that has requested notice pursuant to Bankruptcy Rule 2002 as of the time of service. Due to the nature of the relief requested herein, the Debtors respectfully submit that no further notice of this motion is necessary.

WHEREFORE, the Debtors respectfully request that the Court enter an order substantially in the form attached hereto as Exhibit A: (i) granting the relief sought herein; and (ii) granting to the Debtors such other and further relief as the Court may deem proper.

Dated: November 2, 2016

Respectfully submitted,

/s/ Paul M. Green

Thomas A. Howley (TX 24010115)
Paul M. Green (TX 24059854)
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Telephone: (832) 239-3939
Facsimile: (832) 239-3600

PROPOSED ATTORNEYS FOR DEBTORS
AND DEBTORS IN POSSESSION

CERTIFICATE OF SERVICE

I certify that on November 2, 2016, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Paul M. Green
Paul M. Green

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re	:	Chapter 11
SHORELINE ENERGY LLC, *et al.*, [1]	:	Case No. 16-35571 (DRJ)
Debtors.	:	(Jointly Administered)

ORDER AUTHORIZING THE DEBTORS TO PAY (A) PREPETITION CLAIMS OF POTENTIAL LIEN CLAIMANTS, (B) JOINT-INTEREST BILLINGS, (C) GPT EXPENSES AND (D) SHIPPING AND WAREHOUSING CLAIMS AND (II) GRANTING CERTAIN RELATED RELIEF

This matter coming before the Court on the Debtors' Motion for an Order (I) Authorizing the Payment of (A) Prepetition Claims of Potential Lien Claimants, (B) Joint-Interest Billings, (C) GPT Expenses and (D) Shipping and Warehousing Claims and (II) Granting Certain Related Relief (the "Motion");[2] the Court having reviewed the Motion and the First Day Declaration and having considered the statements of counsel and the evidence adduced with respect to the Motion at a hearing before the Court (the "Hearing"); the Court having found that (i) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, (ii) venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409, (iii) this is a core proceeding pursuant to 28 U.S.C. § 157(b), (iv) notice of the Motion and the Hearing was sufficient under the circumstances, (v) the payment of the Potential Lien Claims and GPT Expenses as set forth herein is necessary and appropriate to prevent serious disruptions to the

[1] The Debtors are the following eight entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Shoreline Energy LLC (2777); Shoreline Southeast LLC (0562); Shoreline Offshore LLC (2882); Harvest Development LLC (2703); Shoreline GP LLC (5184); Shoreline Central Corporation (1579); Shoreline Energy Partners LP (5035); Shoreline EH LLC (6570). The address of each of the Debtors is 16801 Greenspoint Park Drive #380, Houston, Texas 77060.

[2] Capitalized terms not otherwise defined herein shall have the meanings given to them in the Motion.

Debtors' business operations that would potentially cause immediate and irreparable harm to the Debtors and to preserve the going concern value of the Debtors' business and the Debtors' estates for the benefit of all stakeholders and (vi) there is good cause to waive the fourteen-day stay imposed by Bankruptcy Rule 6004(h) to the extent it is applicable; after due deliberation the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates and their creditors; and good and sufficient cause having been shown;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein.

2. The Debtors are authorized, but not required, to pay in their sole discretion and in the ordinary course of their business, the Potential Lien Claims in an aggregate amount not to exceed $1,000,000.

3. The Debtors are authorized, but not required, to pay in their sole discretion and in the ordinary course of business, GPT Expenses in an aggregate amount not to exceed $10,000.

4. The Counterparties are authorized to continue netting the GPT Expenses under the Netting Agreements in the ordinary course of business.

5. The Debtors may require the recipient of a Lien Claimant Payment to execute an agreement (a "Trade Agreement") whereby a Potential Lien Claimant agrees to: (a) the continuance of the parties' existing business relationship; (b) other business terms on a postpetition basis, including the pricing of goods and services, the provision of equivalent levels of service and the timing of payment, on terms at least as favorable as those extended in the normal course prior to the Petition Date, or on such other terms that are acceptable to the Debtors; and (c) the release to the Debtors of goods or other assets owned by the Debtors in the

Potential Lien Claimant's possession, if any (collectively, the "Trade Terms"). The Trade Terms would be applicable throughout the pendency of the Debtors' chapter 11 cases.

6. If a Potential Lien Claimant that has executed a Trade Agreement accepts a Lien Claimant Payment and fails to provide the Debtors with the requisite Trade Terms specified therein, then (a) any Lien Claimant Payment received by the Potential Lien Claimant may be deemed by the Debtors an unauthorized postpetition transfer under section 549 of the Bankruptcy Code that the Debtors may, at the Debtors' option, (i) seek to recover from the Potential Lien Claimant in cash or (ii) apply against any outstanding administrative claim held by such Potential Lien Claimant; and (b) upon recovery of any Lien Claimant Payment, the corresponding prepetition claim of the Potential Lien Claimant will be reinstated in the amount recovered by the Debtors.

7. The Banks are authorized to receive, process, honor and pay all checks presented for payment of, and to honor all funds transfer requests made by the Debtors related to, the Potential Lien Claims paid pursuant to this Order, regardless of whether such checks were presented or funds transfer requests were submitted prior to or after the Petition Date, provided that funds are available in the Debtors' accounts to cover such checks and funds transfers. The Banks are authorized to rely on the Debtors' designation of any particular check or funds transfer as approved by this Order. The Banks shall not be liable to any party on account of: (a) following the Debtors' representations, instructions, or presentations as to any order of the Court (without any duty of further inquiry); (b) the honoring of any prepetition checks, drafts, wires or ACH Payments in a good faith belief or upon a representation by the Debtors that the Court has authorized such prepetition check, draft, wire or ACH Payments; or (c) an innocent mistake made despite implementation of reasonable handling procedures.

8. Nothing in the Motion or this Order, nor the Debtors' payment of claims pursuant to this Order, shall be deemed or construed as: (a) an admission as to the validity of any claim against the Debtors; (b) a waiver of the Debtors' rights to dispute any claim on any grounds; (c) a promise to pay any claim; or (d) an implication or admission that any particular claim is a Potential Lien Claim or GPT Expense.

9. Notwithstanding anything to the contrary contained herein, the relief granted in this Order and any payment to be made hereunder shall be subject to the terms of any orders authorizing debtor-in-possession financing and/or granting the use of cash collateral approved by this Court in these chapter 11 cases (including with respect to any budgets governing or relating to such use), and to the extent there is any inconsistency between the terms of such financing and/or cash collateral orders and any action taken or proposed to be taken hereunder, the terms of such financing and/or cash collateral orders shall control.

10. The requirements of Bankruptcy Rule 6003(b) have been satisfied with respect to the payments authorized by this Order.

11. Pursuant to Bankruptcy Rule 6004(h), this Order shall be immediately effective and enforceable upon its entry.

12. The Debtors are hereby authorized to take such actions and to execute such documents as may be necessary to implement the relief granted by this Order.

13. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation and/or interpretation of this Order.

Dated: ____________________, 2016

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UNITED STATES BANKRUPTCY JUDGE